



**DEPARTMENT OF
HEALTH**
AND HOSPITALS

Modernizing Louisiana's Medicaid Pharmacy Program

Prescription for Reform

Bruce D. Greenstein, Secretary



Today's Discussion



- Our Approach
- What We've Heard
- Areas of Focus
- Savings Consideration
- Next Steps



Comprehensive Approach to Reform



- Two distinct strategies for modernization:
 - Promote management of the whole person by allowing Prepaid Bayou Health Plans to manage pharmacy benefit
 - Modernize and strengthen state-run PBM for those enrollees who remain in fee-for-service Medicaid or Shared Savings health plans
 - Represents 62% of Medicaid enrollees



What We've Heard

- DHH received immense feedback regarding:
 - Reimbursement
 - Patient steering
 - Transparency
 - PBM practices
 - Network adequacy and contracting
 - Access and continuity of care
 - Formulary development
 - Behavioral health care
 - Prior authorizations
 - Specialty drugs



Areas of Focus

- Behavioral Health Drugs
- Formulary and PDL
- Access and Continuity of Care
- Networks and Contracting
- Reimbursement Rate
- State-run PBM Reform



Behavioral Health

- DHH intends for all pharmacy services to be carved into the three prepaid plans, with no specialty carve out of behavioral health drugs.
- DHH is exploring ways to ensure coordination between health plans and Magellan to improve behavioral health outcomes.



Formulary and PDL



- Health plans will manage their own formulary and appoint their own P&T committee. Health plans will be allowed to use a PDL.
- However, DHH will require that formularies and PDLs be approved by Medicaid staff before implementation, and changes submitted to DHH within 30 days.
- DHH will require that formularies cover all specific classes of drugs and be clinically sound. PDLs must include a sufficient selection for each drug class.
- State will publish links to all formularies and PDLs and mandate they be kept up to date.
- DHH will require plans to have a state-approved prior authorization process for dispensation of non-Formulary or non-PDL drugs.



Access and Continuity of Care



- Specialty Drugs
 - DHH believes it is important that health plans have the tools to effectively manage this growing cost.
 - However, to ensure consistency, DHH intends to standardize the definition of specialty drugs.
- Transition Requirements
 - DHH will require plans to submit transition policies for approval.
 - At minimum members must continue treatment of maintenance medications for at least 60 days after enrollment.
 - Plans will be required to have an exception process to review medical necessity for continued access to off-formulary drugs.
- Appeals and Grievances
 - Bayou Health's extensive appeals and grievance process will apply to the pharmacy benefit as well.



Network Adequacy and Contracting



- DHH will require network adequacy standards will be consistent with standards for PCPs:
 - Urban areas: Members must have access to at least one pharmacy within 10 mile radius.
 - Rural areas: Members must have access to at least one pharmacy within 30 miles.
 - Ratios will also be based on how many members a health plan has in a particular area.
- Pharmacy to be added to the list of those providers eligible for significant traditional provider protection.
 - This means that health plans will be required to make a good faith effort to contract with top 80% of pharmacies by Medicaid spend.



Pharmacy Reimbursement



- DHH intends to publish a rule in August to revise reimbursement rate methodology to be based on Average Acquisition Cost.
 - There will not be a tiered reimbursement based on volume.
- Mark-up and dispensing fee will be dependent on final reform components.



State-run PBM Improvements

- DHH will retain management of the fee-for-service pharmacy program.
- DHH is working with ULM in the short-run to strengthen the current prior authorization process.
- Concurrently, DHH is working with its new fiscal intermediary, CNSI, to expedite implementation of enhanced pharmacy management tools.
- Finally, DHH is working with its contractors to reform its formulary and PDL to make more consistent with industry standards.



Savings Consideration

- DHH must achieve \$56 million in savings in the pharmacy program this fiscal year.
- Approach one: Revised reimbursement coupled with program reforms outlined today.
- Approach two: Straight reduction to reimbursement rate.
 - Initial estimates indicate reduction would need to be to AWP minus 24% with up to \$5.77 dispensing fee.



Next Steps



Steps ahead:

- Early August: Publish Reform Summary
- Late August: Promulgate emergency rule
- Late August: Submit State Plan Amendment to CMS
- Late August: Amend BAYOU HEALTH contracts
- August: Develop actuarial rates for prepaid Plans
- Ongoing: Conducting system programming changes and testing
- Ongoing: Inform and educate enrollees and providers of change
- Ongoing: Conduct ongoing stakeholder discussion
- Go live: October 1, 2012





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